
GOVERNMENT OF THE DISTRICT OF COLUMBIA



**DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT**

TESTIMONY OF
JALAL GREENE
DIRECTOR

**PUBLIC OVERSIGHT HEARING FOR THE DEPARTMENT OF
HOUSING AND COMMUNITY DEVELOPMENT**

COMMITTEE ON ECONOMIC DEVELOPMENT
THE HONORABLE SHARON AMBROSE, CHAIRPERSON
COUNCIL OF THE DISTRICT OF COLUMBIA

WEDNESDAY, OCTOBER 19, 2005

ROOM 500
JOHN A. WILSON BUILDING
1350 PENNSYLVANIA AVENUE, NW
WASHINGTON, DC 20004
10:00 A.M.

GOOD MORNING CHAIRPERSON AMBROSE AND MEMBERS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT. I AM JALAL GREENE, DIRECTOR OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD OR THE DEPARTMENT). HERE AT THE TABLE WITH ME TODAY ARE: GEORGE DINES, AGENCY FISCAL OFFICER, AND SENIOR STAFF, WHO WILL ASSIST IN RESPONDING TO YOUR CONCERNS.

I AM APPEARING BEFORE THE COMMITTEE TODAY TO REPORT ON THE DEPARTMENT'S FISCAL YEAR (FY) 2005 PERFORMANCE. HOWEVER, THE FISCAL YEAR IS NOT OFFICIALLY CLOSED AND WE ARE WORKING WITH THE AGENCY FISCAL OFFICER TO FINALIZE OUR REPORT OF DHCD'S FY 2005 EXPENDITURES. MY TESTIMONY WILL FOCUS ON THE DEPARTMENT'S FY 2005 SPENDING AND ACCOMPLISHMENTS, AS WELL AS OUR FUTURE CHALLENGES.

TOTAL FY 2005 SPENDING

AS YOU KNOW, THE DEPARTMENT IS DEDICATED TO FULFILLING ITS CORE MISSION OF:

- **INCREASING THE SUPPLY OF DECENT, SAFE AND AFFORDABLE HOUSING THROUGH PRESERVATION, REHABILITATION, AND NEW CONSTRUCTION;**
- **MAXIMIZING HOME OWNERSHIP OPPORTUNITIES FOR DISTRICT RESIDENTS; AND**
- **SUPPORTING NEIGHBORHOOD REVITALIZATION AND ECONOMIC DEVELOPMENT OPPORTUNITIES.**

I AM PLEASED TO REPORT THAT, IN FY 2005, THE DEPARTMENT INCREASED SPENDING FOR AFFORDABLE HOUSING TO ASSIST CURRENT AND NEW HOMEOWNERS AND TO MEET COMMUNITY DEVELOPMENT NEEDS. DHCD EXPENDED MORE THAN \$99 MILLION IN FY 2005, AN INCREASE OF 70% OVER FY 2004 AND A 73% INCREASE OVER FY 2003. (ATTACHMENT (1)). ALL BUDGETED FY 2005 FUNDS THAT WERE NOT EXPENDED WERE EITHER EARMARKED OR OBLIGATED FOR AFFORDABLE HOUSING, HOME OWNERSHIP OR COMMUNITY DEVELOPMENT ACTIVITIES.

FY 2005 PRODUCTION:

DHCD INVESTED FUNDS IN THE DEVELOPMENT AND RETENTION OF 1,721 AFFORDABLE HOUSING UNITS, AND NINE (9) COMMUNITY-SERVICE FACILITIES, BY CLOSING 35 SEPARATE TRANSACTIONS. (SEE ATTACHMENTS (3), (4) & (5)). DHCD'S INVESTMENTS ALSO EMPOWERED 194 FAMILIES TO BECOME FIRST-TIME HOMEOWNERS THROUGH THE HOME PURCHASE ASSISTANCE PROGRAM (HPAP). DHCD SUPPORTED NEIGHBORHOOD-BASED PROGRAMS THAT PROVIDED TECHNICAL ASSISTANCE TO 1,780 NEIGHBORHOOD BUSINESSES AND PROVIDED HOUSING COUNSELING TO OVER 16,000 RESIDENTS.

SPENDING PERFORMANCE

THE DEPARTMENT INCREASED SPENDING IN EACH OF ITS THREE MAJOR FUNDING SOURCES (ATTACHMENT (2)). IN FY 2005, DHCD:

- SPENT \$42.3 MILLION IN CDBG FUNDS, AN INCREASE OF \$5.4 MILLION, OR 15%, OVER FY 2004 EXPENDITURES;**
- SPENT \$11.5 MILLION IN HOME FUNDS, AN INCREASE OF \$8.1 MILLION, OR 337%, OVER FY 2004 EXPENDITURES; AND**

- **SPENT \$29.3 MILLION IN HOUSING PRODUCTION TRUST FUND DOLLARS, AN INCREASE OF \$18.8 MILLION, OR 280%, OVER FY 2004 EXPENDITURES.**

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

WITH CDBG FUNDS, DHCD FINANCED 700 HOUSING UNITS AFFORDABLE TO LOW AND MODERATE-INCOME FAMILIES AND NINE (9) COMMUNITY FACILITIES. THIS INCLUDED A \$7.7 MILLION LOAN TO THE CAPITAL AREA FOOD BANK (FOOD BANK), LOCATED IN WARD 5, FOR ITS NEW WAREHOUSE AND DISTRIBUTION CENTER. DHCD IS PARTICULARLY PROUD OF MAKING IT POSSIBLE FOR THE FOOD BANK TO INCREASE ITS CAPACITY TO FEED THOSE IN NEED.

WE ALSO LOANED \$2.1 MILLION TO THE “HOUSE OF HELP CITY OF HOPE, INC.”, FOR THE DEVELOPMENT OF A 38-UNIT, SPECIAL NEEDS TRANSITIONAL HOUSING PROJECT. THIS PROJECT, THE GRACEVIEW APARTMENTS, IS LOCATED IN WARD 8, AND SERVES EXTREMELY LOW INCOME RESIDENTS.

HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

WITH FEDERAL “HOME” FUNDS, WE FINANCED 239 HOUSING UNITS. ONE HUNDRED THIRTY FOUR (134) OF THESE UNITS WERE AFFORDABLE HOUSING FOR LOW-INCOME RESIDENTS AT THE FINSBURY SQUARE APARTMENTS, WHICH IS ALSO LOCATED IN WARD 8. THIS PROJECT WAS DEVELOPED BY A PARTNERSHIP BETWEEN THE EAST OF THE RIVER CDC AND BANK OF AMERICA, AT A TOTAL DEVELOPMENT COST OF \$13.8 MILLION. WE ALSO PROVIDED \$3.75 MILLION TO FINANCE 75-UNITS OF AFFORDABLE RENTAL HOUSING AT THE VICTORY HEIGHTS APARTMENTS IN WARD 1. DHCD’S FUNDING WAS CRITICAL TO ASSURING THE AFFORDABILITY OF THIS NEW HOUSING FOR SENIORS IN THE COLUMBIA HEIGHTS NEIGHBORHOOD, AN AREA OF RAPID ECONOMIC CHANGE.

HOUSING PRODUCTION TRUST FUND (HPTF)

THIS PAST FISCAL YEAR, FOR THE FIRST TIME IN THE DEPARTMENT’S HISTORY, OUR LOCAL AND “O” TYPE FUNDING SURPASSED OUR FEDERAL ENTITLEMENT BUDGET. DHCD’S

MAJOR LOCAL FUNDING SOURCE IS NOW THE HOUSING PRODUCTION TRUST FUND (HPTF). IN FY 2005, WE SPENT MORE THAN \$29 MILLION IN HPTF MONIES, FINANCING 282 UNITS OF AFFORDABLE HOUSING, WITH THE MAJORITY SERVING RESIDENTS WHOSE INCOMES ARE AT OR LESS THAN 30% PERCENT OF THE AREA MEDIAN INCOME (AMI).

SOME EXAMPLES OF DEVELOPMENTS FUNDED BY THE HPTF ARE:

- **THE FOUR WALLS DEVELOPMENT, IN WARD 7, A 15-UNIT \$1.5 MILLION RENTAL REHABILITATION PROJECT, WHICH REQUIRED ALMOST \$800,000, OR 51%, IN HPTF FINANCING;**
- **THE 12-UNIT NEW DAY TRANSITIONAL HOUSING PROJECT, IN WARD 8, A \$1.6 MILLION AFFORDABLE HOUSING DEVELOPMENT FOR FAMILIES COMING OUT OF HOMELESSNESS, WHICH WAS FUNDED ENTIRELY WITH HPTF FINANCING.**
- **THE JUBILEE HOUSING RENOVATION PHASE I, A 118-UNIT, FOUR-BUILDING PROJECT LOCATED IN WARD 1, WHICH RECEIVED \$3.5 MILLION IN HPTF DOLLARS IN ADDITION TO**

**HOME FUNDS AND TAX CREDITS. THIS RENOVATION'S
TOTAL COST IS \$20.5 MILLION.**

ADDITIONAL SPENDING

**IN ADDITION TO THE EXPENDITURES DISCUSSED ABOVE, THE
DEPARTMENT UTILIZED \$2 MILLION IN CAPITAL
IMPROVEMENTS PROGRAM FUNDS (CIP) TO FUND PUBLIC
INFRASTRUCTURE IMPROVEMENTS FOR THE DEVELOPMENT OF
300 SENIOR HOUSING UNITS; AND ISSUED MORE THAN \$1 MILLION
IN LOW-INCOME HOUSING TAX CREDITS (LIHTC) TO ASSIST IN
THE DEVELOPMENT OF 212 UNITS OF AFFORDABLE HOUSING.**

SITE ACQUISITION FUND INITIATIVE (SAFI)

**DHCD HAS RESPONDED TO THE HOUSING MARKET CHALLENGES
WITH INNOVATIVE WAYS TO FINANCE AFFORDABLE HOUSING. IN
FY 2005, DHCD CREATED THE “SITE ACQUISITION FUNDING
INITIATIVE” (SAFI), UNDER THE HOUSING PRODUCTION TRUST
FUND PROGRAM, IN RESPONSE TO THE NEEDS OF NON-PROFIT
HOUSING DEVELOPERS FOR QUICK ACCESS TO ACQUISITION
FUNDS. THIS INITIATIVE LEVERAGES DHCD’S FUNDS WITH**

PRIVATE MONIES, WITH AT LEAST A ONE TO ONE MATCH, TO PROVIDE QUICK-CLOSING, EASILY ACCESSIBLE REVOLVING ACQUISITION LOANS EXCLUSIVELY TO NON-PROFIT DEVELOPERS.

IN AUGUST 2005, DHCD AWARDED A TOTAL OF \$15 MILLION IN SAFI FUNDS TO THREE LENDERS SELECTED THROUGH ITS REQUEST FOR QUALIFICATIONS (RFQ) PROCESS. IN THE BRIEF TEN-WEEK PERIOD SINCE THIS PROGRAM BEGAN, TWO OF THE THREE LENDERS HAVE REPORTED LOAN ACTIVITY OF NINE APPLICATIONS, TOTALING \$22.7 MILLION, FOR A PROJECTED 521 AFFORDABLE HOUSING UNITS. THIS PROVIDES A MATCH OF GREATER THAN ONE PRIVATE DOLLAR FOR EACH PUBLIC DOLLAR. (SEE ATTACHMENT (6)).

TENANT PURCHASE ASSISTANCE PROGRAM

OVER THE PAST FEW YEARS, MULTI-FAMILY PROPERTY OWNERS HAVE BEEN SELLING THEIR RENTAL PROPERTIES WHICH HAS THE POTENTIAL OF DISPLACING MANY OF OUR LOW-INCOME RESIDENTS FROM THEIR COMMUNITIES. TO REDUCE THIS

DISPLACEMENT, IN 2005, THE DEPARTMENT INCREASED AVAILABLE FUNDING FOR THE TENANT PURCHASE ASSISTANCE PROGRAM.

IN ADDITION, WE PROVIDED OVER \$8 MILLION TO TENANT ASSOCIATIONS WHICH ENABLED THEM TO PURCHASE THEIR UNITS. THE PROGRAM PRODUCED 155 AFFORDABLE HOMEOWNERSHIP UNITS FOR LOW-INCOME RESIDENTS.

EXAMPLES OF SUCCESSFUL TENANT CONVERSION PROJECTS INCLUDE:

- ***SECOND STREET TENANTS ASSOCIATION:* A MULTI-BUILDING GARDEN APARTMENT COMPLEX, LOCATED IN WARD 4, IN WHICH DHCD PROVIDED \$3.6 MILLION IN CDBG FUNDS FOR THE ACQUISITION OF 52 UNITS; AND**
- ***LAS MARIAS COOPERATIVE:* A 50-UNIT APARTMENT BUILDING AT 1458 COLUMBIA ROAD, NW, IN WARD 1, IN WHICH DHCD PROVIDED \$1.8 IN HPTF DOLLARS FOR THE REHABILITATION OF 50 APARTMENT UNITS FOR HOME OWNERSHIP. IN THIS INSTANCE, HPTF DOLLARS PROVIDED 100% OF THE FINANCING.**

REQUEST FOR PROPOSALS (RFP)

BECAUSE THE NEED FOR AFFORDABLE HOUSING IS SO PRESSING, FOR THE FIRST TIME EVER, DHCD ISSUED TWO REQUESTS FOR PROPOSALS, TOTALING \$70 MILLION, FOR DEVELOPMENT FINANCING IN A SINGLE FISCAL YEAR'S FUNDING CYCLE. THE FIRST FY 2005 RFP FOR \$35 MILLION WAS ISSUED IN JULY 2004 AND THE SECOND RFP FOR ANOTHER \$35 MILLION WAS ISSUED IN MARCH 2005. THE DEPARTMENT PLANS TO CONTINUE THIS PRACTICE AND WILL ISSUE THE FIRST FY 2006 RFP LATER THIS MONTH, WITH \$50 MILLION, AND ANOTHER RFP IN THE SPRING OF 2006. WE HAVE INCLUDED A COPY OF THE RFP NOTICE, AS ATTACHMENT (7).

CHALLENGES

- 1) THE HIGH-COSTS OF ACQUISITION AND CONSTRUCTION IN THE DISTRICT OF COLUMBIA AND THE SURROUNDING REGION ARE AMONG OUR GREATEST CHALLENGES. THESE CHALLENGES HAVE REQUIRED INCREASED LEVELS OF PUBLIC SUBSIDY BY DHCD. THE CURRENT AVERAGE SUBSIDY PER UNIT IS APPROXIMATELY \$30,000. HOWEVER,**

WHEN SUBSIDIZING “VERY LOW INCOME” UNITS, FOR INSTANCE THOSE REQUIRED UNDER THE HPTF, DHCD HAS HAD TO INCREASE ITS UNIT-SUBSIDY TO AT LEAST \$50,000.

OVER THE PAST THREE YEARS, THE LEVEL OF PUBLIC SUBSIDY TO PRIVATE INVESTMENT HAS INCREASED: IN FY 2003, DHCD FINANCED 2,256 UNITS OF AFFORDABLE HOUSING WITH APPROXIMATELY \$24 MILLION THAT LEVERAGED \$201 MILLION IN PRIVATE INVESTMENTS. THAT WAS A RATIO OF 8.4 TO 1. IN FY 2004, WE FINANCED 1,608 UNITS OF AFFORDABLE HOUSING, WITH APPROXIMATELY \$22.7 MILLION, WHICH LEVERAGED \$157 MILLION IN PRIVATE INVESTMENT. THAT WAS A RATIO OF 6.95 TO 1. OUR UNOFFICIAL FY 2005 NUMBERS INDICATE THAT THE DEPARTMENT HAS FINANCED 1,721 UNITS, WITH \$50.8 MILLION, WHICH LEVERAGED \$162 MILLION IN PRIVATE DOLLARS, FOR A RATIO OF 3.24 TO 1. DEMAND WILL CONTINUE TO BE HIGH FOR HOUSING AS MORE JOBS ARE CREATED THROUGHOUT THE DISTRICT AND THE REGION,

AND AS MORE SMALLER HOUSEHOLDS ARE FORMED (MORE SENIORS, MORE EMPTY-NESTERS, AND MORE SINGLES).

- 2) A SECOND CHALLENGE IS THAT OF CAPACITY—EXTERNAL AND INTERNAL: WE MAY BE REACHING A POINT WHERE MANY OF OUR NON-PROFIT AFFORDABLE HOUSING PROVIDERS ARE APPROACHING FULL CAPACITY FOR THE NEXT 18 MONTHS TO 2 YEARS. THE CHALLENGE TO DHCD IS TO DEVELOP AND ENCOURAGE NEW WAYS TO CONTINUE TO PRODUCE AFFORDABLE HOUSING, BY ENCOURAGING THE FORMATION OF MORE TRADITIONAL NON-PROFITS; REACHING OUT TO THE FAITH-BASED COMMUNITY; AND INCREASING OUR PARTNERSHIPS WITH THE FOR-PROFIT COMMUNITY TO ADD DEVELOPERS OF AFFORDABLE HOUSING.**

OUR INTERNAL CHALLENGES ARE TO CONTINUE OUR CURRENT HIGH LEVEL OF PRODUCTION AND MANAGE OUR EVER-GROWING PORTFOLIO OF ASSETS WITH THE SAME CAPACITY.

THE FY 2007 CONSOLIDATED ACTION PLAN

FINALLY, CHAIRPERSON AMBROSE, I WOULD LIKE TO DISCUSS THE FY 2007 CONSOLIDATED ACTION PLAN. (SEE ATTACHMENT (8) FOR THE PROPOSED FY 2007 ACTION PLAN DEVELOPMENT TIMELINE). AS YOU KNOW, THE *CONSOLIDATED ACTION PLAN* IS A DOCUMENT THAT WE SUBMIT TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) EACH YEAR WITH THE DISTRICT OF COLUMBIA'S APPLICATION FOR THE FOUR HUD ENTITLEMENT GRANT PROGRAMS: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG), HOME INVESTMENT PARTNERSHIP(HOME), EMERGENCY SHELTER GRANT (ESG), AND THE HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA).

THE ANNUAL ACTION PLAN DETAILS HOW DHCD WILL BUDGET ITS FEDERAL AND LOCAL FUNDS TO IMPLEMENT PRIORITIES THAT PROVIDE VERY LOW-TO-MODERATE INCOME PERSONS WITH DECENT HOUSING IN SUITABLE LIVING ENVIRONMENTS, AND EXPANDED ECONOMIC OPPORTUNITIES.

THE DEVELOPMENT OF THE ACTION PLAN PROVIDES DHCD WITH THE OPPORTUNITY TO HOLD PUBLIC “NEEDS” HEARINGS TO GATHER INFORMATION FROM RESIDENTS, BUSINESSES AND ORGANIZATIONS TO CREATE A UNIFIED CITY VISION FOR HOUSING, COMMUNITY DEVELOPMENT AND ECONOMIC DEVELOPMENT THAT WILL BENEFIT LOW-TO-MODERATE INCOME RESIDENTS.

FIVE “COMMUNITY NEEDS HEARINGS” FOR DEVELOPING THE FY 2007 ACTION PLAN HAVE BEEN SCHEDULED, BEGINNING MONDAY, NOVEMBER 7TH. A COPY OF THE PUBLISHED NOTICE FOR THESE HEARINGS IS ATTACHED (ATTACHMENT (9)). CITIZENS ARE ENCOURAGED TO ATTEND HEARINGS AND PROVIDE COMMENTS, AS WELL AS TO PARTICIPATE IN THE FY 2007 ACTION PLAN DEVELOPMENT PROCESS.

THE ACTION PLAN TURNS COMMUNITY PRIORITIES INTO GOALS AND QUANTIFIABLE OBJECTIVES THAT ARE THE FOUNDATION FOR THE DISTRICT’S BUDGETS, AND PERFORMANCE ASSESSMENTS BY HUD. DHCD PROVIDES PUBLIC NOTICE OF THE

PROCESS AND MAKES AVAILABLE TO THE PUBLIC DRAFT AND FINAL DOCUMENTS FOR REVIEW AND COMMENT.

THIS CONCLUDES MY FORMAL TESTIMONY, CHAIRPERSON AMBROSE. MY STAFF AND I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU AND MEMBERS OF YOUR COMMITTEE MAY HAVE. THANK YOU.

ATTACHMENTS